

January 19, 2007

Maine Milk Commission Special Meeting Minutes
Deering Building, Room 233
Augusta, Maine 04333

Notices for the January 19, 2007 meeting were distributed to Commission members, intervenors and other interested parties December 22, 2006 and sent to the Secretary of State's Office for posting on December 22, 2006.

Commission Present: Chair, Michael Wiers, John Joseph Jr., Colon Durrell and Shelley Doak, *ex-officio*.

Commission Absent: Katherine O. Musgrave

Department Officials: None

Staff Present: Stan Millay, Executive Director, Carol Gauthier, administrative assistant and Audrey Shorty, Resource Administrator.

Legal Counsel: Lucinda White, Assistant Attorney General not present.

Intervenors Present: John Blake, H.P. Hood, Inc., John Economy, Garelick Farms of Maine and Thomas Brigham, Oakhurst Dairy.

Others Present: Dale Cole, dairy farmer and President, MDIA, and Julie-Marie Bickford, Executive Director, Maine Dairy Industry Association (MDIA). Also present was, dairy farmer Chuck Farrand. Attending from Feed Commodities Inc. were David Wadsworth and Ellis Additon. Marc Lessard from Hannaford was in attendance.

Meeting called to order at 1:35 p.m. by chair, Michael Wiers.

Agenda Item 1: Minutes: Shelley Doak made a motion to accept the minutes of the meetings on December 22, 2006 and January 9, 2007. Colon Durrell seconded. Motion passed 3-0.

Agenda Item 2: Lucinda White, Assistant Attorney General: No report.

Agenda Item 3: Minimum Prices: There is a prevailing premium of \$1.50/cwt on Class I for January 2007 reported by Dairy Marketing Services (DMS) and Agri-Mark Cooperative. In addition to this premium, both Agri-Mark and DMS reported that an additional \$0.35/cwt for milk that comes from producers who do not treat their cows with the rBST hormone will be in affect on February milk. Federal Order One Class I price for February is \$16.64.

There is a Farm Bill Counter Cyclical Payment (MILC) for February 2007 of \$0.102/cwt. Congress has reauthorized the MILC program at a reduced rate: (34% of \$16.94 minus the Class I Price).

Colon Durrell made a motion to consider schedule #02-07 with a producer cost of production adjustment of \$1.35cwt. It includes a \$16.64/cwt. Class I Price as announced by Federal Northeast Milk Market Administrator, plus \$1.10/cwt. as prevailing in neighboring states, plus an additional \$0.75/cwt. prevailing in neighboring states, plus \$0.93/cwt. for a handling fee and plus a \$0.20/cwt. processor assessment, for a total dealer Class I cost of \$20.97/cwt. Shelley Doak seconded the motion.

Julie-Marie Bickford asked that the Commission review a feed costs hand out prepared by David Wadsworth and also called their attention to another hand out prepared by Dr. Dalton from the University of Maine that shows increased costs of producing milk in Maine. Specifically, she pointed out that Dr. Dalton's numbers show that in each of the

three farm size categories the short-run breakeven (SRBE) cost of production has exceeded the levels set by the rule that is currently used to determine the amount of money distributed through the Dairy Support Program.

Mr. Wadsworth's written testimony shows increases in many feed commodity categories. He explained that weather, demand for corn to produce ethanol and poor quality haylage for 2006 is among the factors contributing to the increases. He said that feed costs per cow per day have increased from \$1.94 last year to \$3.90 currently.

Julie-Marie Bickford told the Commission that since grain prices have gone up significantly and other costs have increased, they should consider an increase in the producer cost of production adjustment.

John Blake asked if feed costs were unique to Maine. Mr. Wadsworth responded saying that feed costs were higher for everyone, but in Maine costs were higher than other states because of the costs of transporting feed to Maine.

Chairman Wiers wondered about how high the Commission could push the cost of production adjustment.

Stan Millay referred the Commission to the minutes of the December 22, 2006 meeting in which Lucinda White stated that it was her opinion that the \$1.64/cwt. adopted in the Cost of Production Rule was as high as the Commission could go until the Rule was revised.

Chairman Wiers restated the motion explaining that it moved \$1.35/cwt. as the cost of production adjustment.

John Blake asked the Commission for a justification for using \$1.35/cwt. as the cost of production adjustment. He asked how that number was arrived at.

Chairman Wiers explained that there was neither formula nor formal method of determining a cost of production amount. He said the Commission is bound by the Statute and the Cost of Production Rule. He said he saw the role of the Commission as bringing a balance to Maine's milk prices. He said it was not a perfect system but believed the Commission did the best they could based on the testimony available.

Colon Durrell stated that he recalled that some of the increases that happened to raise the adjustment to \$1.35 were due to fuel costs.

John Blake pointed out that Maine had a large fuel terminal in Portland so Maine should have fuel prices as low and as competitive as any others in New England.

Tom Brigham reminded the Commission that the current \$1.35/cwt. cost of production adjustment happened in increments over time in reaction to increased costs of production. He said he believed that when the Commission last revised the Cost of Production Rule in September 2006, the cost of production adjustment should have been reset to zero. He said increases from that point should have been considered from that point and not added to the cost of production that existed in September 2006.

Chairman Wiers reminded the Commission that the cost of production adjustment question has always been how high the Commission should go in setting it. He said that so far the Commission has not arrived at a solution.

Tom Brigham reminded the Commission that every time they push up the milk price, retail milk prices to the consumer increase, and consequently there may be an impact on sales.

Dale Cole told the Commission that the amount of money that producers receive for their milk is a very small part of what retailers are charging.

Colon Durrell made a motion to amend his original motion by increasing the cost of production adjustment from \$1.35/cwt. to \$1.55/cwt. John Joseph seconded the motion and stated that he believed that \$1.64/cwt. was the guiding number.

Tom Brigham said that \$1.64/cwt. was determined in part by considering cost of production data from the Northern Crescent that includes Wisconsin. He wondered if that data was appropriate to use as a comparison.

John Blake told the Commission that he did not support widening the gap yet again between the costs of in-state processors and outside of Maine processors who do not have to pay the cost of production adjustment. He informed the Commission that their actions in regards to the cost of production adjustment were a serious problem for his company.

Dale Cole reminded the Commission that milk supply in Maine is shrinking. He said that it will continue to shrink until producers can recover their costs of producing milk. He said that without a milk supply, Maine processors could be faced with transporting milk into Maine at higher costs that would be passed along to consumers.

Tom Brigham pointed out that outside processors could put milk into Maine at an economic advantage over Maine processors because of the Commission's actions. He said the Commission could be jeopardizing Maine businesses and Maine jobs.

John Economy told the Commission that as they keep pushing prices up in Maine there is greater opportunity for outside of Maine processing to gain an unfair edge over Maine processors. He reminded the Commission that he does not see the problem as processors against producers, instead all are in it together and the Commission's job should be to make it as fair as possible for everyone.

Ms. Bickford told the Commission that producers are only trying to get paid closer to their SRBE cost of production and that they are not there yet.

Colon Durrell made a motion to vote on his previous motion. John Joseph seconded. Motion passed 3-0.

Chairman Wiers reminded the Commission that there were two motions to vote on. The first is to consider amending the original motion by increasing the cost of production adjustment from \$1.35/cwt. to \$1.55/cwt. The second motion adopts the minimum milk price schedule for February.

Vote on first motion was 3-0. Vote on second motion as amended was 3-0, making a total dealer Class I cost of \$21.17/cwt.

Chairman Wiers asked staff to request that Lucinda White research the so-called "Northern Crescent" data issue to see whether or not inclusion of it into the Cost of Production Rule is consistent with statute. Secondly, he asked for clarification on the \$1.64/cwt. and thirdly, he asked for an explanation of how the Dairy Support Program fits into Commission deliberations in setting milk prices. Specifically, whether or not the Commission can consider payments received from the Support Program when setting prices.

Agenda Item 4: Maine Monthly Price Survey: The Commission reviewed the Maine price survey for January 2007 which included prices for Augusta and Bangor and reviewed the November IAMCA milk price survey.

Agenda Item 5: Next Scheduled Meetings:

- February 23, 2007, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME
- March 23, 2007, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME
- April 20, 2007, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME
- May 18, 2007, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME

Agenda Item 6: Other:

1. **Milk Commission Budget:** The Commission reviewed income and expenditures.
2. **Dealer Margins:** Stan Millay reported that the University of Maine had collected data from Maine's processors and a preliminary report would be coming soon.
3. **Retail Margins:** Stan Millay reported that the Retail Margin Cooperative agreement approved by the Commission on January 9 is being processed and the University will be starting work on it soon.
4. **IAMCA Meeting in August:** Stan Millay reported that plans are coming along for this meeting that the Commission is hosting in Portland, Maine on August 5-8, 2007.

Agenda Item 7: Executive Session: The Commission did not go into Executive Session.

Adjourned: 3:00 p.m.

Stanley Millay, Executive Director, Maine Milk Commission.